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INTERNATIONAL ISSUES MONTHLY REVIEW

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This publication is prepared by the International Issues Division, Office of Regional and Political Analysis, with occasional contributions from other offices within the National Foreign Assessment Center. The views presented are the best judgments of individual analysts who are aware that many of the issues they discuss are subject to alternative interpretation. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Energy, Economic Recovery, and OECD Trade Tensions

This article addresses the relationship between the energy problems of the OECD nations and the intensification--both actual and potential--of trade tensions among them. It has two main purposes: to identify several areas in which energy problems create or aggravate pressures for protectionism and other trade barriers in the industrial countries; and to suggest that differing energy experiences, perceptions, and priorities within the OECD are a basic obstacle to agreement on joint efforts to spur recovery from the persistent economic slowdown of recent years. The main theme is that policies to promote continued trade liberalization must not only contend with the immediate dislocations produced by high energy costs, but must also take into account the longer term, structural economic and political effects of these costs on industrial states. Failure to assimilate these wider effects could lead to a gap between trade policy and energy policy to the detriment of both.***

Post-1973 energy problems have adversely affected the climate for continued trade liberalization among the industrial countries at three levels:

- First, Balance of payments pressures have been severely worsened by the greatly

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***The present analysis is not tied to a particular scenario of the energy supply and demand balance over the next several years. It does, however, assume that the general trend is likely to be unfavorable from the standpoint of consumers--that prices will remain constant or increase in real terms, and that politically significant perceptions of energy vulnerability will persist for most consuming countries.*

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increased oil import bills of consuming nations. Incentives to expand exports to offset these bills or to adopt trade restrictions to relieve pressure on weakened currencies have increased accordingly.

- Second, problems of slow growth and high unemployment have been aggravated, and in part induced, by the rise in energy costs. By contributing to the prolonged cyclical downturn in OECD economies and by accelerating the decline of certain weakened sectors (e.g., textiles and steel) in some countries, these high costs have given a double impetus to the introduction of trade restrictions to protect jobs.
- Finally, concern about supply security and efforts to reduce political and economic vulnerabilities associated with energy dependence have created pressures for "energy mercantilism" among the OECD countries. Responses to such pressures, ranging from greater intervention in domestic markets to attempts to form special relationships with producers, would make more difficult the preservation of an open, nondiscriminatory international trade order.

Payments Problems

International efforts to mitigate these effects--and thus alleviate the threat of competitive, beggar-thy-neighbor adjustments to higher energy costs--have had mixed success. In the immediate aftermath of the 1973-74 oil crisis, international attention focused largely on balance of payments problems and the recycling of the OPEC petrodollar surplus to avoid unmanageable strains on the international monetary system.*

**Avoidance of competitive, unilateral consumer initiatives vis-a-vis oil producers was also a high priority, especially of US policy, during this early period.*

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While the worst fears in this area have not materialized--largely due to the adaptive functioning of the unofficial financial markets--severe payments imbalances among the OECD countries remain. Persistent large surpluses in Japan and West Germany, the large American deficit, and continuing balance of payments pressures in France and several of the smaller OECD countries attest to the inadequacy of existing mechanisms (such as floating exchange rates and unofficial recycling) to handle oil payments smoothly.

These imbalances have exacerbated trade tensions in several respects. The large Japanese surplus has inspired protectionist pressures in the US and Western Europe, while the rapid decline of the dollar provokes charges of unfair US competition in Western Europe and Japan. Concern about deficits and inflation in France, Italy, and elsewhere has inspired austerity policies that aggravate unemployment and thus make trade liberalization politically more difficult.

In these circumstances, renewed attention has been given to official governmental cooperation to deal with payments problems--for example, the proposal to create a special IMF facility or "safety net" for immediate balance of payments assistance to deficit countries. More importantly, however, the focus of international concern and debate has shifted to the more general economic ills, whether cyclical or structural, of the OECD countries, and in particular their lagging growth.

Energy and Recovery

The OECD economic debate has recently been polarized between US espousal of greater economic expansion and West German resistance to this strategy. The expansionary view emphasizes the responsibility of the stronger economies to spur general recovery and reduce their surpluses by increasing their demand for imports. Economic expansion is implicitly seen as the best means of averting a growing cycle of protectionism. The counterargument emphasizes the dangers of inflation if the pace of recovery is pushed and points to a lack of discipline in the deficit countries (and the US oil deficit in particular) as the main cause of imbalances and lagging recovery.

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In part this is a classic economic debate along Keynesian-monetarist lines, reflecting the longstanding orientations of the protagonists. In addition, however, one can perceive in the more conservative position a re-assessment of the viability of the rapid economic growth enjoyed in the 1950s and 1960s and of the traditional policy instruments for stimulating such growth. This re-assessment owes much to the energy crisis and is widely shared among OECD governments of different economic predispositions.

The "Catch-22" of economic recovery--whereby renewed growth brings increased energy consumption and oil imports, placing upward pressure on oil prices and setting in motion a new round of inflation and recession--looms large in the background of current OECD controversies on economic policy.* While no country actually prefers recession as a means of keeping down energy consumption, the reality of this trade-off has probably been incorporated into the economic psychology (and in some cases planning) of the other OECD countries to a greater extent than in the US. As a result, the resistance to a straightforward policy of economic expansion is broader and more deeply rooted than it would otherwise be.

Japanese economic planning, for example, is strongly influenced by pessimistic assumptions about the future availability and price of energy and other raw materials. A fundamental shift in the pattern of economic activity, moving away from energy intensive industries, and a reduction in the growth rate to about half that achieved in the 1960s are envisaged. This plan, as the IMF has reported, "is based mainly on the belief that increased international instability, centered on the oil crisis and increased 'resources nationalism' will create supply

**In a narrowly balanced market for OPEC oil, small increases in demand could exert considerable upward pressure on prices. World demand for OPEC oil in the early 1980s would be affected by about 1.5 million barrels a day by a variation of 1 percent in the annual growth rate of energy demand. According to some recent projections, this would be more than enough to convert a small measure of surplus capacity to a serious "notional gap" between supply and demand.*

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constraints for the economy.* Similarly, France has consciously placed inflation and the trade deficit ahead of unemployment and slow growth as economic dangers to be overcome and has established a financial ceiling on oil imports that symbolizes these priorities. Other countries, though less dramatically, demonstrate a similar sensitivity to the energy-growth dilemma.

This phenomenon clearly is a major impediment to coordinated action to alleviate protectionist pressures by conventional expansionary means. Moreover, it suggests that the US and its OECD partners are in some respects talking past each other in current economic policy discussions. As in the case of nuclear proliferation policy, resistance to US economic approaches is partly rooted in a conviction that these approaches betray a failure to take seriously the energy problem--and the risks it entails for societies more vulnerable than the US. Thus, while West Germany's constant reminders about the US oil deficit are in part a self-serving response to US pressure for expansion, they also represent a genuine concern about the implications of American oil imports that is universally shared among the OECD countries. Similarly, the relatively robust US growth rate is sometimes perceived less as a sign of virtue to be emulated than as a sign of the US refusal to accept (and ability to avoid) difficult sacrifices and trade-offs.

Economic Nationalism and Energy Security

High energy costs and oil import bills, then, doubly darken the atmosphere for trade liberalization--they directly create balance of payments and employment constraints, and they indirectly create incentives for growth-restraining policies aimed in part at reduced energy

Japan expects to import about 6 million barrels per day of oil in 1980, which at current prices would cost about \$30 billion dollars annually. A 20 percent increase in the real price of oil over the next three years would raise this bill by about \$6 billion--roughly the size of Japan's expected 1978 current account surplus.

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consumption and dependence. More generally, it can be anticipated that energy costs and insecurities will inspire a whole range of "mercantilist" domestic and foreign practices that could cumulatively add significantly to existing strains on the liberal world trade framework.

In the domestic sphere, energy constraints and attempts to cope with them are likely to favor statist trends (on the French or Japanese model), encouraging an expansion of the government role in economic management and market regulation. Implementation of industrial restructuring or of ambitious energy conservation or production programs may expand the scope of nontariff barriers to trade by giving rise to numerous new subsidies, standards, and regulations. Competitive distortions could also be increased by regional policies. For example, the crisis in Western Europe's refining industry has recently given new impetus to proposals for greater central regulation of EC oil markets that could potentially discriminate against non-European firms.

At the same time, energy supply concerns may create pressures for government-sponsored preferential arrangements (bilateral or multilateral) between consumers and producers. While hopes for assurances of favored treatment by producers have thus far been unfulfilled, the incentive on the part of consumers to offer special inducements to key energy suppliers--such as access to markets, arms transfers, high technology exports, or various political sidepayments--remains potent. This would be all the more true in the context of a tighter world market or a new politically inspired supply crisis. Producer states, on the other hand, though unlikely to surrender their freedom of action on price and supply policy, clearly have an interest in maintaining a certain ambiguity regarding their susceptibility to such inducements.

Conclusion

The implication of these problems for OECD efforts to resist growing protectionism is that the multilevel effects of energy constraints must be fully integrated into trade liberalization strategies. Both the immediate financial impact and the deeper, longer range structural adjustments implicit in post-1973 energy realities are

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basic (rather than external complicating factors) to the trade equation. Trade strategies that are, implicitly or explicitly, incompatible with these adjustments are likely to be precarious, in large part because they will not be widely perceived as legitimate or fair. Workable bargains in the trade field may have to be based on calibrations of strength and weakness and of security and vulnerability that include energy factors--including the pivotal role of US policies and practices in overall OECD energy security--as well as more conventional indices.

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Disarmament Machinery: Issues and Prospects for Change

One of the most contentious subjects to be discussed at the forthcoming UN General Assembly Special Session on Disarmament (SSOD) is the reshaping of the international machinery for disarmament negotiations. Reform of the institutions has become a disarmament issue in its own right, the resolution of which will do much to determine the influence of each group of states on substantive disarmament matters. The session of the SSOD Preparatory Committee held in January and February catalogued the disagreements on the machinery question without resolving them. Several of these disagreements probably will continue through the final Preparatory Committee session in April and into the SSOD itself. This article describes the principal positions on these issues, the reforms each group of states would be likely to accept, and the probable response to reform of the major countries that have hitherto refrained from participation in disarmament negotiations.

A wholesale restructuring of existing machinery is unlikely to emerge from the SSOD. Although some fresh ideas about machinery have been offered in the preliminary discussions, most proposals, and the opposition to them, reflect longstanding positions and well-rehearsed arguments. The SSOD itself is an alternative to reform in the sense that it was sponsored by nonaligned governments that realized they had little prospect of greatly increasing their voice in more restrictive disarmament forums.

Nevertheless, the need to produce a document on machinery will stimulate decisions that would not be taken in the absence of a special session. In the months following the SSOD, disarmament institutions will receive added attention as they are relied upon to achieve, or monitor, progress toward the substantive disarmament goals adopted by the General Assembly. And the issue of

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institutional change has been made even more timely by recent indications that France will end its long boycott of disarmament negotiations.

* * *

Although there are significant differences, the lines of disagreement on the reform of disarmament machinery generally reflect those of the North-South dialogue on economic questions. In each, LDCs seek changes to, and a larger role in, a structure that was erected by the industrial countries and that the LDCs perceive as operating to their own disadvantage.

The Soviet Bloc

The staunchest supporter of the existing machinery is the Soviet Union. Its position is shaped by a desire to hold important negotiations in as restricted a circle as possible. This implies a continuation of the MBFR talks as the principal forum for discussions of European arms control measures. It also means continued reliance on the 31-nation Conference of the Committee on Disarmament (CCD) to address a comprehensive test ban, control of chemical weapons, and other global disarmament issues. Although LDCs now constitute half the membership of the CCD, the feature attractive to the Soviets is its organization and composition along political--not geographical--lines, as reflected in the US-USSR cochairmanship. In addition to its support for these restricted forums, the Soviet Union will probably continue its perennial call for a World Disarmament Conference (WDC). This enables it to display its bona fides as a proponent of an all-inclusive disarmament forum while not having to worry much--given the unfriendly Chinese and US attitudes toward its WDC proposal--about the result.

The USSR has several reasons for firmly supporting the present structure of the CCD and MBFR. This structure tends to equate disarmament negotiations in general with NATO - Warsaw Pact negotiations. It recognizes the USSR as one of only two superpowers and legitimates the resolution of important issues in bilateral dealings with the United States. And it places its East European allies on an equal footing with the United States' NATO

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allies. As a result, the Soviets are unlikely to acquiesce in any major revision of CCD membership, particularly if it appears aimed at instituting the geographically balanced representation found in UN bodies. It will also stoutly resist making the CCD subordinate to the General Assembly or any other part of the UN. The one issue of CCD reform on which Moscow is showing some flexibility is the possible replacement of the permanent US-USSR cochairmanship. Given the widespread support (especially among LDCs) for rotating the chair, the Soviets may conclude that their continued insistence on retaining the cochairmanship would cost them more diplomatic points than it would be worth. Nevertheless, Moscow will be slow in offering concessions. In the meantime, it will seek to resolve the matter the same way it prefers to resolve any disarmament issue--first in private discussions with the United States, and only afterward in a wider forum.

The West

The industrial democracies generally favor a continuation of existing disarmament institutions, but are more amenable to modifications of machinery than the Soviets. The support for reform that exists within the Western group has three sources. The first is a perceived need to accept, if not preempt, LDC demands on nonessential points and thereby prevent a confrontation that would spill over into other parts of the SSOD agenda. The second is a desire to make whatever changes are needed to coax France and China into full participation in disarmament negotiations. Finally, there is a genuine belief among some Westerners--and not just the French--that the present machinery is unrepresentative and overly dominated by the US and the USSR.

So far, these motivations have been too weak to generate support for anything more than minor changes. The paper on machinery introduced at the fourth session of the SSOD Preparatory Committee by seven Western governments (Australia, Canada, Denmark, West Germany, New Zealand, Norway, and the United Kingdom) continues existing machinery as much as it would change it. On the one hand, it calls for a limited expansion of the CCD, a limited rotation of its membership, observer

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status for nonmembers, and an undefined strengthening of its link with the UN. On the other hand, it confirms the CCD's character as a small negotiating body, leaves the cochairmanship untouched, and explicitly acknowledges that some issues are better dealt with on a bilateral or regional basis than through multilateral processes.

The absence of US support for major alterations has helped to discourage some Western allies from proposing greater change. But regardless of US attitudes, there is enough division within the Western group to prevent the formation of a consensus in favor of more ambitious or specific reforms. For one thing, the group includes both members and nonmembers of the present CCD. Of the nonmembers, some (e.g., Australia) could hope to win a seat with a small expansion of the permanent membership; others (e.g., Turkey) probably could participate only on a rotational basis. Any talk of rotation reveals similar conflicts of interest among the present members. Some of these (e.g., the Netherlands) would probably be reduced to rotatees unless all of the present members were given permanent seats. Others (e.g., West Germany) might keep their seats even if the permanent membership were somewhat more limited but, unlike the United Kingdom, would lose them if the permanent membership duplicated that of the Security Council.

The positions of most Western governments are subject to unpredictable change because they depend heavily on expectations of what will prove to be acceptable to the LDCs and France. A rise or decline in LDC obstinacy on machinery issues--which will no doubt be affected by the extent to which the LDCs are satisfied on other issues on the SSOD agenda--will probably stimulate quick shifts in Western thinking. As for the French (whose views are discussed below), any softening in their conditions for entering the disarmament process will force some other Western governments to reveal the extent of their reservations about existing machinery. If placating Paris were removed as a rationale for favoring reforms, governments that had used that rationale would have either to find another one or drop their proposals for change.

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The LDCs

The Third World exhibits some divisions of its own on machinery issues. It has wavered between two broad approaches to the goal of bolstering the LDC voice in disarmament institutions. One is to increase the CCD's representativeness, accessibility, and responsiveness sufficiently to substantially augment LDC influence in that body. The other is to make minor changes in the CCD while relying upon some other forum as the principal place to record LDC views. The second approach is embodied in India's proposal--since embraced by the non-aligned contact group at the fourth session of the SSOD Preparatory Committee--to establish a body modeled on the Economic and Social Council that would be separate from the CCD and would serve as the main deliberative forum for disarmament matters.

Such differences of opinion as do exist among the LDCs partly reflect a division between CCD members and nonmembers that parallels the division within the Western group. It also is caused by varying degrees of recognition of the practical need for a small body that can negotiate and not just debate. Finally, there are differences in estimates of what the North will accept or can be pushed into granting. To the extent that the latter reason is important, it suggests that LDC positions, like Western positions, are subject to considerable change between now and the end of the SSOD. More specifically, the extent of support for a new deliberative body is likely to vary inversely with apparent Western and Soviet flexibility on reform in the CCD.

Despite individual differences, however, LDCs are united in their desire to somehow increase their voice in the disarmament process and to affirm a major role for the UN General Assembly. They have sufficient motivation to maintain a hard line on these core demands even if they do not use the machinery issue as a lever to win their way on other matters. It is possible that on some of these issues--which are procedural, after all--the LDCs may rely upon their voting strength to insert language into the SSOD documents that is openly opposed by one or more of the major powers.

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The Outlook for Consensus

The eventual fate of most proposals concerning all-inclusive deliberative forums is already fairly clear. The WDC has become too much of a pet Soviet project to be acceptable to the Chinese. Lacking the support of both China and the US, it loses as well the support of most other governments outside the Soviet bloc, which believe a WDC could succeed only with the full participation of all nuclear powers. The UN Disarmament Commission, a body that includes all UN members but which has fallen into disuse since 1965, is too discredited for very many members to favor its reactivation. Instead of a WDC or the old UNDC, two other forums will probably be relied upon to afford all states the opportunity to join future disarmament debates. One is the First Committee of the General Assembly, with its responsibilities redefined to include only disarmament and security matters. (Such a redefinition would be little more than a confirmation of the status quo.) The other is a second special session of the General Assembly (and perhaps subsequent special sessions), with SSOD II to be held sometime between 1981 and 1983. A second SSOD now has a precedent, as well as the advantage of automatically including all UN members without any of them having to make a positive act of accession to membership of a new body.

It is less clear what consensus, if any, will emerge regarding the more restrictive disarmament forums. The strongest bet is that, even if the Indian proposal for a new deliberative committee were accepted, the LDCs would not settle for a continuation of the present CCD without at least cosmetic reforms. Moreover, since a decision to rely on future SSODs and the First Committee as large deliberative bodies would involve so little departure from the status quo, it would increase the pressure to show results on reform of the smaller forum. Under these circumstances, two demands likely to be the irreducible minimum of the LDCs are replacement of the CCD cochairmanship and some strengthening of the link between the CCD and the UN. Proposals for the latter have been vague, and any additional ties are apt to make little practical difference. The experience of the Outer Space Committee demonstrates that designation of

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the CCD as a UN body need not prevent it from operating by consensus, as it does now, rather than by majority vote, which would allow the LDCs to hold sway by force of numbers. Any remaining disagreements at the SSOD regarding membership or procedures of the CCD will probably be sloughed off by calling on the CCD to reform itself--legally the most attractive alternative anyway, since the CCD is not presently a creature of the General Assembly.

The Nonparticipants: France and China

A continuing theme in discussions of disarmament machinery is the need to induce France and China to enter disarmament negotiations. Because a major restructuring of the negotiating forums seems unlikely, their entry will depend more on changes in their own attitudes than on changes in the institutions they have found objectionable.

Of the two, the prospects for France's participation are by far the brighter since President Giscard's January disarmament initiative. The initiative was intended partly to increase the electoral appeal of the Center-Right coalition and partly to lay the groundwork for an accommodation with the left on disarmament matters in the event it won at the polls. But it also had origins unrelated to the elections--in particular, a recognition that France cannot be strategically self-sufficient and that many aspects of the Soviet-American disarmament dialogue bear heavily on French security.

The principal result of this reformulation of thought is that Paris now perceives a need for French participation in some multilateral negotiating forums even if its previous demands for a complete overhaul of the CCD are not met. Successive elaborations of Giscard's proposals describe a negotiating body that sounds more and more like the CCD without the cochairmanship and with a new name. French diplomats have acknowledged that a new body could actually have much the same membership as the CCD and have declared themselves to be flexible on other details. Even before the elections, the French demand to replace the CCD had become less of a genuine issue in its own right than a vehicle for

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France to enter disarmament negotiations through the back door and a rationalization for past nonparticipation.

Prospects for an early French entry into European arms control negotiations are less bright. The MBFR talks embody, even more than the CCD, an organization based on superpower-dominated blocs that successive conservative governments in Paris have disliked. Accordingly, the Giscard proposal is for a broader forum to include the 35 states of the Conference on Security and Cooperation in Europe (CSCE). This is one area in which the present government's view on disarmament negotiations still differs substantially from those of the leftist parties, which have called for French participation in the MBFR talks. Given the low level of support elsewhere in the West for disarmament negotiations in a CSCE format (and the meager results of the recently concluded Belgrade conference have probably lowered it even further), it appears that a further evolution in French thinking will be required before France becomes a participant in the European disarmament dialogue.

Whereas France is moving toward at least partial participation in disarmament negotiations, China is not. Peking has made some approving responses to France's explanations of its disarmament initiative, which is unsurprising since any criticism of superpower dominance meshes with its own views. But at the same time, it has shown no inclination to budge from its frequently stated preconditions for substantive disarmament negotiations. It is not likely to do so soon, because China simply does not have the same incentives as France to encourage effective arms control in the foreseeable future. It intends to build up its nuclear force and to maintain its large conventional forces, and none of the arms control agreements in sight (e.g., a comprehensive test ban) would, in Peking's view, do more to enhance China's security. Therefore, Peking will stay away from restricted negotiating forums, including the CCD and any body that replaces it. Not expecting to receive security benefits from any agreements that could be written there, it will derive propaganda benefits by staying out and castigating the institutions themselves. At the same time, China will use the deliberative forums of the SSOD,

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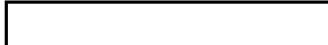
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future special sessions, and the First Committee to continue its criticism of the defense and disarmament policies of the US and USSR.

The Machinery Issue in the Future

The reform of disarmament machinery as a disarmament issue in its own right is unlikely to disappear soon. The document on machinery that will emerge from the SSOD will leave many states unsatisfied. Any referral of CCD reform to the CCD itself will mean that the issue will continue to be discussed at Geneva. And French entry into the negotiating forums will be preceded by further interchanges concerning procedural details. How intense the entire issue becomes will be affected in large part by the amount of progress on substantive disarmament matters. The less progress, the more criticism will be leveled at the institutions.



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Law of the Sea: The North-South Confrontation Over Seabed Mining

When the Law of the Sea Conference resumes its deliberations on 28 March, the highly contentious deep seabed mining issue will be the principal obstacle to reaching a comprehensive oceans treaty. Prospects for agreement during this round are poor. The developing countries continue to exploit their leverage over issues of importance to major maritime powers to secure far-reaching concessions on the seabeds issue. They consider these concessions essential not only because many of them are interested in the specific issues at hand, but because control over seabed resources symbolizes their demands for increased wealth and power under a New International Economic Order. Predictions that failure at this session will lead to a collapse of the law of the sea negotiations, however, may be overstated.

* * *

At the last law of the sea negotiating session, which ended in July 1977, progress toward an acceptable draft treaty was made in several areas:

- Safeguarding traditional high seas freedom of navigation and overflight within the 200-nautical mile "exclusive economic zone," where coastal states have sovereign rights over resources.
- Allowing transit through international straits..
- Facilitating scientific research.
- Dealing with environmental questions.
- Providing for compulsory dispute settlement.

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Deliberations on the establishment of an international system for deep seabed mining beyond national jurisdictional limits also appeared to be making progress, but broke down late in the session. Paul Engo of Cameroon, chairman of the committee responsible for seabed mining, unilaterally altered a delicately balanced text that had been reached in broad, open negotiations. His insertions resulted in a text "fundamentally unacceptable" to the US and other developed countries. The intersessional discussions to resolve the seabeds issue have been intensive, but there has been little substantive progress.

At one level, the deliberations over the deep seabed mining issue involve agreeing on an orderly and equitable set of rules governing the exploitation of mineral nodules--rich in manganese, cobalt, nickel, and copper--that lie on the sea floor at depths of two to three miles.

The less developed countries, which lack the requisite technology and resources to exploit the nodules, nevertheless insist on securing certain guarantees that they will benefit from future exploitation. They base their demands on the principle that seabed resources are the "common heritage of mankind"--a concept endorsed by almost all nations. The LDCs have backed up their demands by linking their agreement on issues important to the major industrial maritime powers--freedom of navigation, transit rights through straits, scientific research--to agreement on an International Seabed Authority that would have complete control over seabed resources and in which they would have major influence. The authority, which would be linked to the United Nations, would have its own mining capability and would establish rules and conditions governing exploration and exploitation by the state and private mining concerns.

The industrialized nations have accepted in principle the establishment of such an authority, but they want it to be a weak institution, with only minimal control over mining operations. They agree with the need to provide some form of revenue sharing with the developing countries, but reject a "one nation - one vote" decisionmaking body as too favorable to the LDCs.

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Private firms in the US and several other industrialized countries are eager to begin mining, but are holding off until the legal ramifications of such activity are settled, even though the present legal regime of the high seas would probably permit exploitation.

At another level, the deep seabeds issue reflects the contradictory desires of the LDCs for increased wealth and control over international institutions, and of the industrialized countries for an acceptable and orderly outcome of a new oceans regime and of international relations generally.

The political importance attached to the seabed mining issue can be seen in how LDC demands concerning the International Seabed Authority reflect LDC demands in other forums.

The developing countries want to accomplish a transfer of resources from the developed countries. In forums such as the UN Conference on Trade and Development (UNCTAD) and the Multilateral Trade Negotiations, they have demanded various forms of debt relief and debt rescheduling and preferential tariffs for LDC exports. In the case of seabed mining, the LDCs want the International Seabed Authority to mine and sell seabed metals, with the earnings then distributed among the developing countries. Since the authority would control all mining operations, the LDCs would succeed in reducing the benefits the developed states and private firms would gain from these ocean resources, transferring profits instead to the less developed countries.

The developing world views technology transfer as essential to its economic development; many LDC spokesmen assert that advanced technology is a "right" that should be provided by industrial countries and multinational corporations at little or no cost. Discussions related to the transfer of technology are going on in such forums as the preparatory meetings for the UN Conference on Science and Technology for Development*

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and negotiations to develop a legally binding code of conduct for technology transfer. In pursuing technology transfer, the LDCs envision the seabed authority receiving mining and processing technology from developed countries and private enterprise in return for permission to exploit mine sites. They also want to assign to the authority a role in regulating scientific research in the international areas of the oceans. Involvement in seabed mining would provide experience for LDCs in controlling a high technology, multinational endeavor.

Through UNCTAD the LDCs have sought to influence commodity prices and assure the steady growth of export earnings. Individual agreements on single commodities have functioned intermittently, but with limited success. Most recently, the LDCs have sought to establish a "common fund" to provide price stabilization through buffer stocks, and including a "second window" to finance such activities as export diversification and infrastructure improvement. LDC mineral producers* in particular fear that the influx of seabed minerals will compete with the products of their own land-based mines, hold prices down, and cause a reduction in their foreign exchange earnings. The seabed authority would provide the LDCs some control over commodity prices and protect export earnings by establishing production controls and by participating in future commodity agreements involving minerals found on the sea floor, thereby affecting global prices of land-based minerals. The developing countries also insist on financial compensation for countries adversely affected by competition from seabed minerals.

Outlook for the Law of the Sea Conference

There appears little hope for accommodation on the seabed mining issue at this session. Compromises offered by the industrialized countries during five previous negotiating sessions have been rejected by the LDCs.

Therefore, the likelihood that this session will succeed in drafting a comprehensive oceans treaty

**Zaire, Zambia, Peru, Chile, Brazil, Colombia, Guyana, Gabon, Cuba, Indonesia.*

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remains very much in doubt. In addition to the substantive issues discussed above, at least two major procedural issues could delay negotiations. Conference President Amerasinghe has been recalled by the Sri Lankan Government. The proposal that Amerasinghe continue as president in a personal capacity has been endorsed by all but the Latin American group. The Latins question the legality of a president with no official credentials. In addition, proposed changes in conference procedures will be discussed. The next session may be a plenary meeting in order to give the chairman of the conference an increased role in preparing the final texts and reducing the influence of committee chairmen, especially their ability to alter texts unilaterally.

Predictions that failure at this session will lead to a collapse of the negotiations may be overstated. The wide range of LDC interests and a growing sense of pragmatism that is pervading North-South relations generally suggest that further slow progress in future sessions is more likely. For the industrialized and developing countries alike failure might be too high a price. For the LDCs it would signify a defeat for their demands for a New International Economic Order in the one forum where their leverage is strongest. For the industrialized states it would represent a setback in their efforts to establish an orderly oceans regime and could presage--if not directly cause--a resurgence of confrontation with the LDCs in a variety of other international forums.

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Guyana in the North-South Dialogue

This article is one of a series that examines the political and economic factors influencing the behavior of selected LDCs in the North-South Dialogue. On the one hand, Guyana's chronic economic deficiencies, the self-styled socialist policies of Prime Minister Forbes Burnham, and his quest for influence in LDC caucuses (the Group of 77 and the Nonaligned Movement) promote rhetorical support for far-reaching changes in the international order and a commitment to LDC solidarity in dealing with the industrial states. On the other hand, the need for immediate external assistance to cope with mounting domestic problems shapes Burnham's preferences for nonconfrontational tactics in the North-South arena and his occasional criticisms of radical LDC proposals. So long as Burnham believes assistance from the industrial states and international financial institutions will be forthcoming, he is likely to stick both to his pragmatic tactics in multilateral forums and to his willingness to delay the building of socialism in Guyana in order to attract foreign private investment and public aid.*

Domestic Dilemmas

Persistent economic and political pressures have had a sobering effect on Prime Minister Forbes Burnham's plans to transform Guyana into his version of a socialist state. The country's bleak economic picture is marked by an unemployment rate above 20 percent, lagging production in key sectors, and falling prices on the world market for bauxite, sugar, and rice, which together account for 80 percent of Guyana's foreign exchange earnings. The deteriorating economy has led to a considerable rise in political tension as the opposition East

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Indian - based Marxist party has intensified its long struggle to force Burnham to form a coalition government.*

The long strike by the opposition-controlled labor union in the state-owned sugar industry ended with Burnham apparently making few concessions, but the effect of the strike will be a further drop in foreign exchange earnings and wages. The opposition will continue to exploit the resulting decreased public confidence in Burnham to stir up discontented political groups and religious organizations to attack the government for its mismanagement of the economy and discriminatory social practices.

Over the past year, senior Guyanese officials have emphasized that despite Guyana's socialist orientation and its nationalization of the bauxite and sugar industries, it sincerely wants to attract foreign private investment in areas such as forestry, energy, and infrastructure development. Burnham's inability to secure a \$100 million loan from the US last year fostered a more positive attitude toward seeking help from international financial institutions. Guyana has already begun to institute austerity measures in the expectation that it will have to meet rigorous International Monetary Fund eligibility requirements for budgetary assistance and has also requested special consideration for development assistance from the World Bank.

International Adjustments

Burnham last year made pragmatic adjustments in his posture toward the US, principally because of Guyana's inability to secure substantial financial assistance from Cuba and the USSR, countries with which he has cultivated close relations. Although the opposition is critical of Burnham's new approach to the US in light

**Burnham's ruling party and the opposition appeal to their supporters primarily on racial and ethnic, rather than ideological grounds. The political and economic tensions and discontents in Guyana are complicated by the racial split in which Burnham's power base, the Afro-Guyanese population, has virtually excluded the majority Indo-Guyanese from political power.*

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of his previous charges that the US was trying to "destabilize" Guyana, he publicly declared that his country's "nonaligned" foreign policy justified developing good relations with the West as well as with Communist states.

Underlying Burnham's attempt to cope with Guyana's economic problems is an outlook that stresses pragmatic accommodation with forces outside of his control. Guyana's objective in North-South arenas is to raise prices of its major exports to help counterbalance the increasing costs of goods it imports from the industrial countries. Burnham's support of the Group of 77 program for restructuring the international economy is tempered by his belief that only through negotiation can the developed countries be convinced of the correctness of these objectives. Especially because of Guyana's worsening economic straits, Burnham would probably join in any softening of G-77 demands on some controversial issues, such as the common fund, as an incentive for the industrial countries to be more generous with long-term commitments to promote LDC economic development.

Guyana has tried to increase its influence in LDC circles by embracing various proposals for unified action on the part of the LDCs. The Action Program for Economic Cooperation among Developing Countries--an organization sponsored by the nonaligned movement to promote the formation of non-oil raw materials by third world commodity producers--is sited in Georgetown. Burnham favors the establishment of raw materials cartels to enhance LDC bargaining strength and preserve foreign exchange earnings against inflation. He also uses the vehicle of solidarity to counter perceived slights against his country. Recently, in reaction to the unsympathetic international response to Guyana's petitions for financial help, the Foreign Minister indicated that his country may join with those LDCs that want their international debts canceled. Guyana would probably benefit from the Group of 77 debt relief proposal through its arrangements to consolidate private debts and extend the repayment period of loans. Burnham may also be trying to dramatize the country's financial plight as it begins negotiating an acceptable stabilization program with the IMF and to nudge the US into interceding with international financial agencies on Guyana's behalf. Guyana additionally played a prominent role during the recent UNCTAD-sponsored talks

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between the LDCs and the Soviet-dominated Council for Mutual Economic Assistance on trade concessions for the developing countries. Guyana's leading role at the talks was partly an outgrowth of Burnham's frustration over footdragging by CEMA on Guyana's application for formal association with that organization.

Burnham's attempts to combine support for LDC objectives in North-South relations with pursuit of Guyanese national interests have sometimes strained the country's solidarity with other LDCs. During the 1976 nonaligned countries' meetings, for instance, Guyana participated in efforts to persuade the OPEC members of the nonaligned movement to grant assistance to those LDCs adversely affected by high oil bills, despite the potentially divisive effect of this issue. Additionally, at the first session of the 1977 International Sugar Conference, Guyana declined to support a resolution by Cuba that condemned the US position on sugar export quotas and price levels. At the nonaligned meetings in 1976 and 1977, Guyana also refused to join Cuba in submitting a resolution calling for Puerto Rican independence.* The Foreign Minister later said that Burnham expected these actions would influence the US to give Guyanese sugar special access to US markets.

Burnham's deep apprehension over US cultural and economic dominance in the Caribbean and suspicion about US willingness to assist in Guyana's development would be reinforced by a lack of progress in negotiations between the LDCs and industrial countries over debt relief and development assistance. In LDC caucuses over

**These attempts to assert Guyana's autonomy from Cuban influence are in part a reaction to Havana's past role in supporting the East Indian opposition in Guyana. Nevertheless, Burnham has a warm, personal friendship with Castro, and continued party and government links with Cuba may help Burnham weather criticism from within his party that he is "selling out" to the US. Moreover, Burnham believes that the strategy of social and economic development adopted by Cuba includes some features applicable to Guyana's situation.*

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the next year or so, Burnham is likely to stick to a pragmatic line on North-South relations, so long as he sees some hope of greater assistance to the LDCs from the industrial nations and he believes this approach will lead to special attention by the latter to Guyana's problems. Were he to conclude, however, that there was to be no profit to Guyana from a pragmatic approach, he would be tempted to adopt a more radical line in LDC caucuses.

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